

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7579

BILL NUMBER: SB 519

NOTE PREPARED: Jan 14, 2009

BILL AMENDED:

SUBJECT: Cost Recovery for Low Carbon Energy Facilities.

FIRST AUTHOR: Sen. Boots

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes the Indiana Utility Regulatory Commission (IURC) to provide financial incentives for certain projects related to the construction or operation of low carbon dioxide emitting or noncarbon dioxide emitting energy production or generating facilities in the same manner that the IURC provides financial incentives for new energy production or generating facilities or coal gasification facilities. It makes conforming amendments.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Indiana Utility Regulatory Commission (IURC)*: This bill will increase administrative expenditures of the IURC by requiring the IURC to evaluate applications to determine eligibility for financial incentives. It is estimated that the IURC will be able implement this provision with its existing level of resources.

State and Local Government Utility Expenditures: This bill could increase expenditures by state and local governments for utilities. It is estimated that the amendment to the definition of clean coal technology will increase the number of utilities that are eligible for the incentives provided for implementing that type of technology, and therefore allow more utilities to adjust rates and recover costs for such technology.

Explanation of State Revenues: *Utility Rate Increases*: It is estimated that utility rates could increase under the bill due to the provision allowing for reasonable and necessary cost recovery for preconstruction costs associated with a new energy production or generating facility or a low carbon dioxide emitting or noncarbon dioxide emitting energy production or generating facility.

To the extent that any of the provisions of this bill increase utility rates, there could be an increase in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The amount of any increase is indeterminable and will depend on rate adjustments allowed by the IURC for cost recovery.

Background Information - As used in this bill, "low carbon dioxide emitting or noncarbon dioxide emitting energy production or generating facility" means an energy production or generation facility that is intended to produce:

1. no carbon dioxide as a byproduct of the production or generation of energy; or
2. less carbon dioxide per megawatt hour of electricity generated than is produced per megawatt hour of electricity generated by a coal-fired or other fossil fuel-based energy production or generating facility.

The term also includes the transmission lines and other associated equipment employed specifically to serve a low carbon dioxide emitting or noncarbon dioxide emitting energy production or generating facility.

Taxes: The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Expenditures*

Explanation of Local Revenues: See *Explanation of State Revenues*.

State Agencies Affected: IURC; All.

Local Agencies Affected: All.

Information Sources:

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